

## Message Text

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PAGE 01 MOSCOW 12542 301656Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 L-03 CIAE-00 INR-07 NSAE-00  
TRSE-00 STR-04 /035 W  
-----115634 302209Z /73

R 301530Z AUG 77  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 1513  
AMEMBASSY PRAGUE  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMCONSUL LENINGRAD  
USMISSION NATO  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW  
USDOC WASHDC

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USDOC FOR BEWT/USSR (HEISS) AND BEWT/CSSR

EO 11652: NA  
TAGS: EALR ETRD EEWT UR CZ  
SUBJECT: SOVIET FTO OFFICIAL EXPRESSES ENVY OVER ALLEGED  
INCENTIVES FOR CZECHOSLOVAK FOREIGN TRADERS

SUMMARY. KNOWLEDGEABLE SOVIET OFFICIAL AT FTO  
SOYUZNEFTEEXPORT HAS ALLUDED TO POSSIBLE INCENTIVES  
BEING GIVEN TO FTO NEGOTIATORS IN CZECHOSLOVAKIA  
TO SECURE HIGHER PRICES IN SELLING CZECH GOODS AND  
SERVICES TO WESTERN FIRMS. REPORTEDLY, SCHEME  
ALLOWS CZECH COMMERCIAL NEGOTIATORS TO POCKET HALF OF  
DIFFERENCE BETWEEN FTO "TARGET" PRICES AND ANY  
HIGHER PRICES THEY ARE ABLE TO NEGOTIATE IN  
INDIVIDUAL TRANSACTIONS. END SUMMARY.

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QM USCO HAS RELIABLY LEARNED OF REMARKS MADE  
AUGUST 24 BY FTO SOYUZNEFTEEXPORT OFFICIAL TO  
US BUSINESSMAN ON QUESTION OF REMUNERATION  
PRACTICES ADHERED TO IN SOVIET FTO'S. ACCORDING  
TO OUR SOURCE, FTO OFFICIAL RAILED AGAINST  
CURRENT PRACTICE BY WHICH ALL PROCEEDS (PRESUMABLY

HARD CURRENCY) FLOWING FROM DEALS TRANSACTED BY A SOVIET FTO WITH WESTERN FIRMS GO NOT TO ACCOUNT OF FTO IN QUESTION, AND CERTAINLY NOT -- EVEN PARTIALLY -- TO ACCOUNT OF PERSON WHO NEGOTIATED DEAL, BUT TO "STATE TREASURY." FTO OFFICIAL IMPLIED THAT THIS PRACTICE HAD A DELETERIOUS EFFECT ON EFFECTIVENESS OF FTO NEGOTIATORS IN WRINGING BEST DEAL OUT OF FOREIGN PURCHASERS OF SOVIET GOODS.

2. "WHAT WE NEED IS A SYSTEM LIKE THE CZECHS HAVE\*", SOYUZNEFTEEXPORT OFFICIAL WAS PARAPHRASED BY OUR BUSINESS SOURCE AS HAVING STATED AT ONE POINT. ASKED WHAT HE MEANT BY THIS REMARK, SOVIET OFFICIAL WAS TO HAVE REPLIED THAT CZECHS HAD RECENTLY (NO TIME FRAME GIVEN) INSTITUTED A PROCEDURE BY WHICH THEIR FTO NEGOTIATORS WERE GIVEN FIRM INTERNAL PRICE "TARGETS" FOR VARIOUS NEGOTIATIONS WITH WESTERN FIRMS. IF, FOR EXAMPLE, AN FTO NEGOTIATOR WAS UNABLE TO ACHIEVE AGREEMENT ON PRICE FOR A GOOD WITH A FOREIGN BUYER ON BASIS OF "TARGET" PRICE, THEN DEAL WOULD BE ABORTED -- UNLESS APPROVAL OF HIGHER AUTHORITY COULD BE OBTAINED TO CONCLUDE SALE AT A PRICE LOWER THAN "TARGET." BUT IF, ACCORDING TO SOVIET OFFICIAL, CZECHOSLOVAK FTO NEGOTIATOR COULD EXTRACT PRICE LIMITED OFFICIAL USE

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HIGHER THAN TARGET FROM A FOREIGN BUYER OF CZECH GOODS OR SERVICES, THEN HE WAS LEGALLY ALLOWED TO KEEP FIFTY PERCENT OF DIFFERENCE BETWEEN TARGET PRICE AND TRANSACTION PRICE FOR HIS PERSONAL ACCOUNT. US BUSINESSMAN SAID SOYUZNEFTEEXPORT OFFICIAL'S COMMENTS ON ALLEGED CZECH PROCEDURE WERE TINGED BOTH WITH ADMIRATION AND ENVY. "WE COULD DO BETTER WITH INCENTIVES LIKE THAT, TOO\*", HE WAS PARAPHRASED AS SAYING.

3. COMMENT: WE FIND THIS REPORT OF A CONVERSATION WITH SOYUZNEFTEEXPORT OFFICIAL INTRIGUING AND REPORT IT AS OF POSSIBLE INTEREST TO EMBASSY PRAGUE AND OTHERS INTERESTED IN FEEBLEST SIGNS OF ECONOMIC (OR COMMERCIAL) REFORM IN EASTERN EUROPE. ALTHOUGH IT IS ENTIRELY POSSIBLE THAT THIS SCHEME HAS BEEN REPORTED ELSEWHERE OR IS A MATTER OF COMMON KNOWLEDGE (AT LEAST IN PRAGUE), WE WOULD BE INTERESTED IN WHATEVER LIGHT EMBASSY PRAGUE MIGHT BE ABLE TO SHED ON SUBJECT WHICH WOULD EITHER TEND TO CONFIRM OR DENY SOVIET FOREIGN TRADER'S REPORTED REMARKS. OUR SOURCE MADE IT

SOUND AS THOUGH SOVIET OFFICIAL WAS SPEAKING ONLY  
ABOUT CZECH ANALOG TO SOVIET FTO SOYUZNEFTEEXPORT --  
WHICH WOULD PROBABLY BE EITHER CHEMAPOL FOR CZECH  
LANDS AND/OR SLOVNAFT FOR SLOVAKIA -- BUT WE DO NOT  
SEE HOW A CHANGE OF THIS MAGNITUDE COULD BE  
INSTITUTED IN ONE OR TWO FTO'S ONLY WITHOUT CAUSING  
OPEN DISSENSION IN THE OTHERS; PARTICULARLY SINCE  
RIPPLE EFFECT (OR RUMOR) HAS REACHED MOSCOW.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Date:** 22 May 2009  
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**Subject:** SOVIET FTO OFFICIAL EXPRESSES ENVY OVER ALLEGED INCENTIVES FOR CZECHOSLOVAK FOREIGN TRADERS SUMMARY.  
KNOWLEDGEABLE SOVIET OFFICIAL AT FTO  
**TAGS:** EALR, ETRD, EEWT, UR, CZ  
**To:** STATE PRAGUE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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EO Systematic Review  
22 May 2009  
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